The Real Estate ANALYST

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.... Current Studies.... Surveys.... Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

POPULATION SHIFTS, 1940 THROUGH APRIL 1947

THE charts on pages 498 through 501 show population changes in 80 metropolitan areas. In 42 of these cities the changes are shown through April of this year. In the other 38 cities the changes are shown only through November 1943. When the necessary data are received, these cities will be brought up to date.

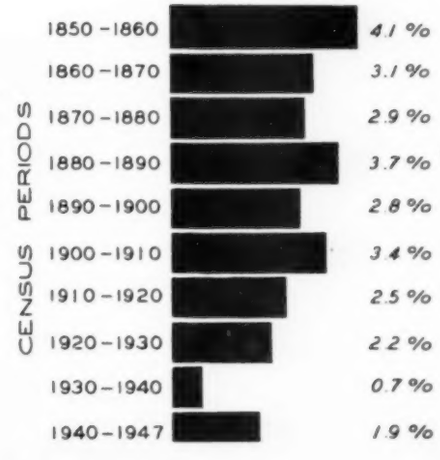
The bars of the charts mark the above-average (blue) and below-average (red) growth of the city for each decade from 1850 on. For instance, Akron's last bar is blue, and has the figure 62 written above it. This means that from 1940 through April 1947 Akron's rate of population growth was 62 per cent faster than that of all metropolitan areas in that period. Conversely, Hartford's last bar is red, and has the figure 46 written below it. This indicates that Hartford was growing 46 per cent slower than the average of all metropolitan areas in the same period.

This study was published last in March 1944. Of the 42 cities which have been brought up to date in this issue, all but five reversed the trend indicated by the 1944 study. For example, the 1944 study (1940 through November 1943) showed Baltimore growing 178 per cent faster than average. The latest data (1940 through April 1947) show that Baltimore has grown only 92 per cent faster than the national average. Cleveland for the first three years of this decade was growing 78 per cent slower than the average, but this study covering seven years of this decade indicates that Cleveland's growth has been only 38 per cent slower than the average. We have made this rather involved explanation in order to give some guidance to those readers who are interested in those 38 cities not brought up to date, inasmuch as the same pattern will probably be found in most of these cities.

The chart to the right shows the typical annual rates of growth of metropolitan counties for each decade from 1850 through 1940, and from April 1940 to March 1947.

There are nine cities brought up to date in this study which are west of Tulsa. All nine of these cities are growing faster than the average. Cities growing slower than the national average are located, for the most part, north of the Ohio and east of the Mississippi.

TYPICAL AVERAGE ANNUAL RATE OF GROWTH OF METROPOLITAN COUNTIES 1850 - 1947



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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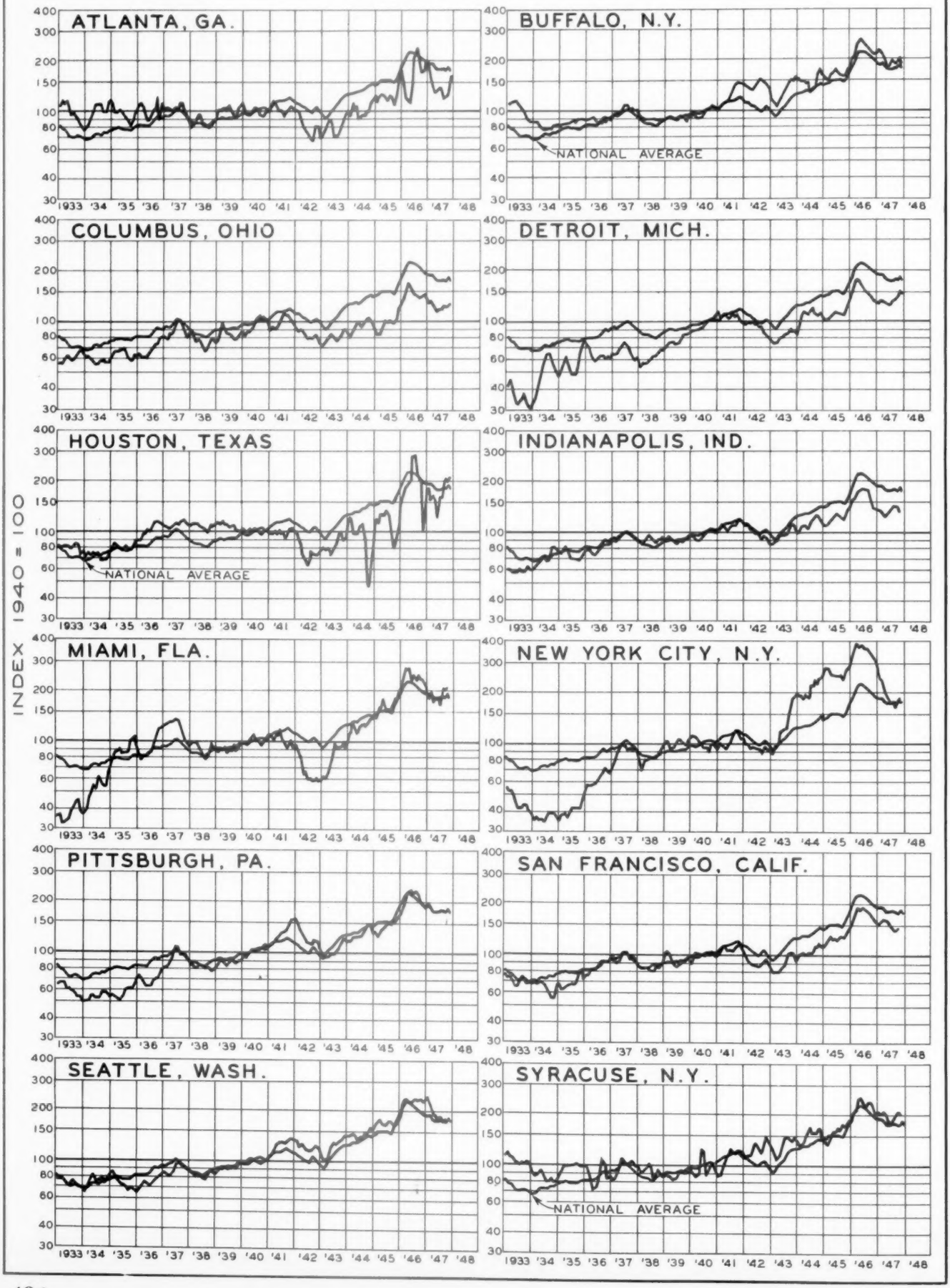

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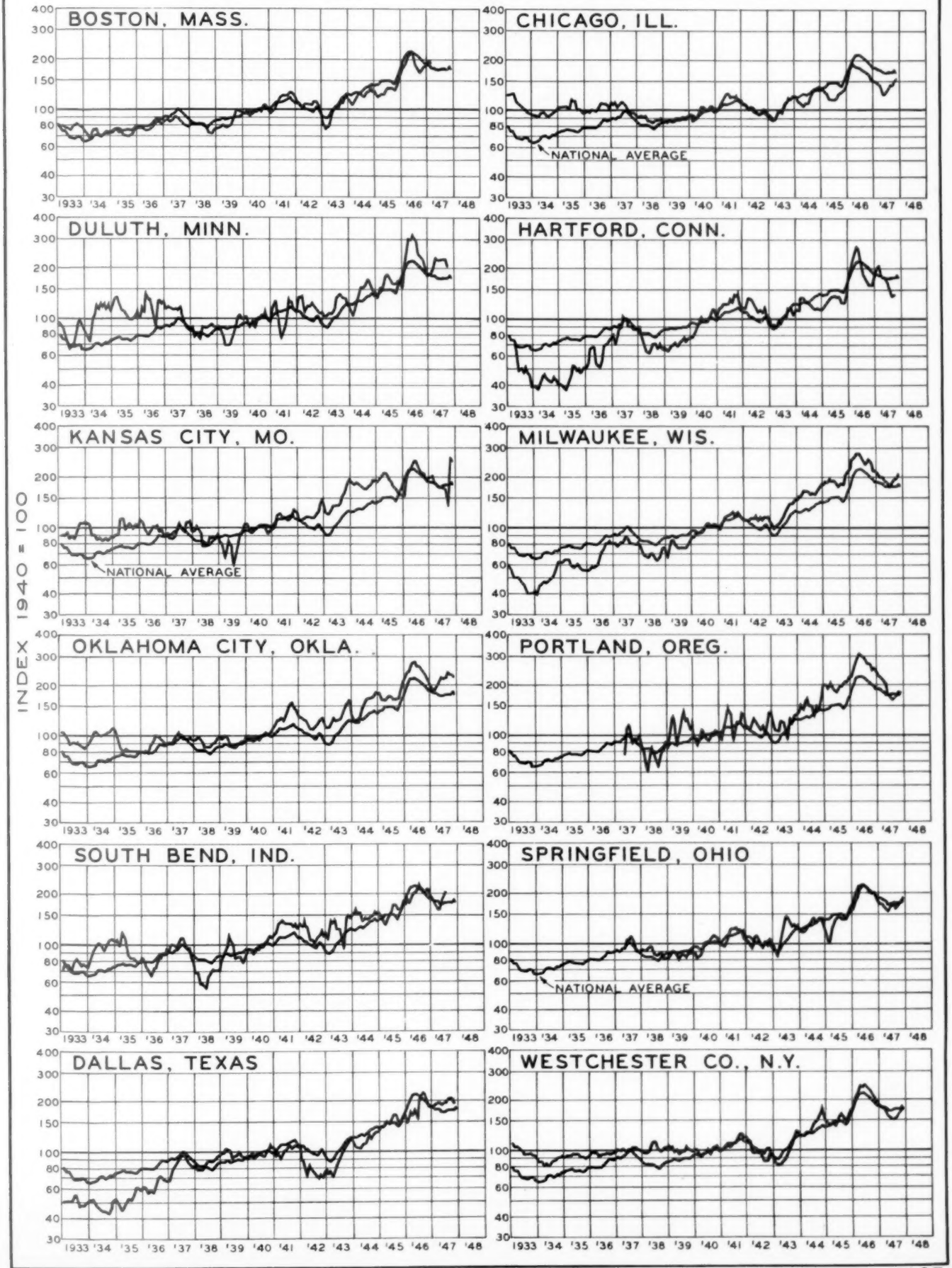

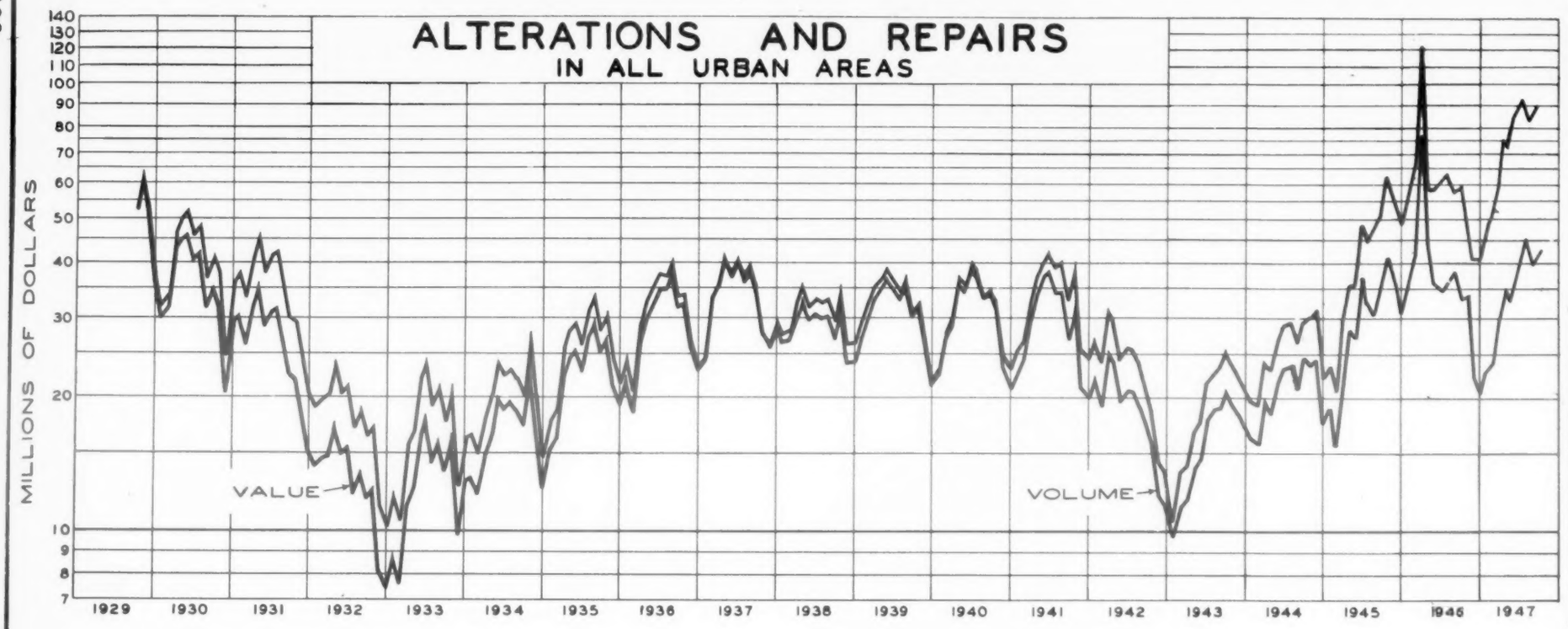

ALTERATIONS AND REPAIRS

THE chart below shows the dollar value and the estimated physical volume of alterations and repairs from September 1929 to the present. The line showing volume is the value line corrected for changing construction costs.

The only basis for a chart of this sort is a compilation of building permits, with the difficulty that a large volume of alterations and repairs is of insufficient size individually to require a building permit. For this reason, the dollar figures as shown by the chart are much too low. The percentage fluctuations are probably approximately correct.

The recent upswing in alterations and repairs which began about January of this year has continued in an almost uninterrupted steep climb. Apparently many firms have decided that construction costs are going to remain too high for too long and have decided to alter their present quarters rather than build new ones.

Another reason is that many retail proprietors who are too well located to consider moving to a new building have gone ahead with their alterations and repairs, apparently also believing that alteration costs are not going to be any cheaper for some time to come.

FHA FINANCING

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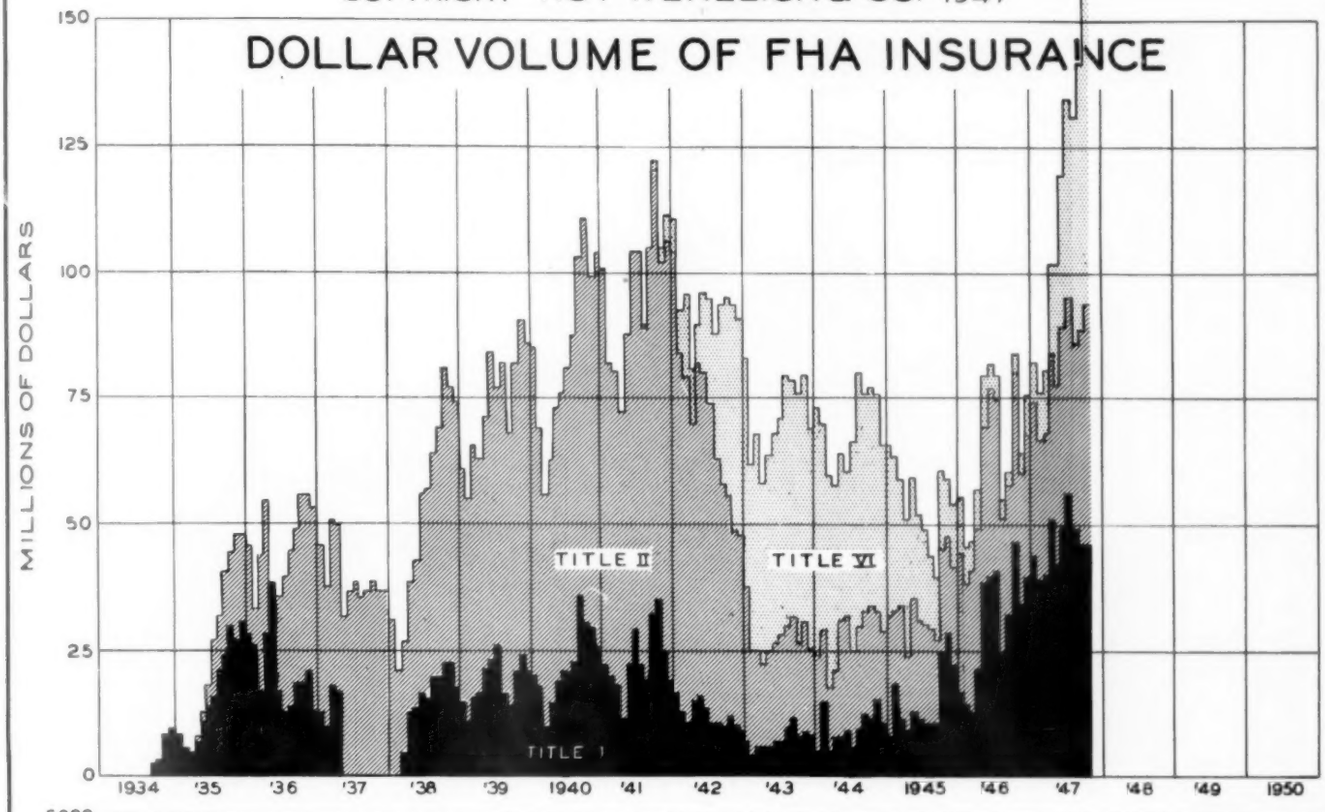
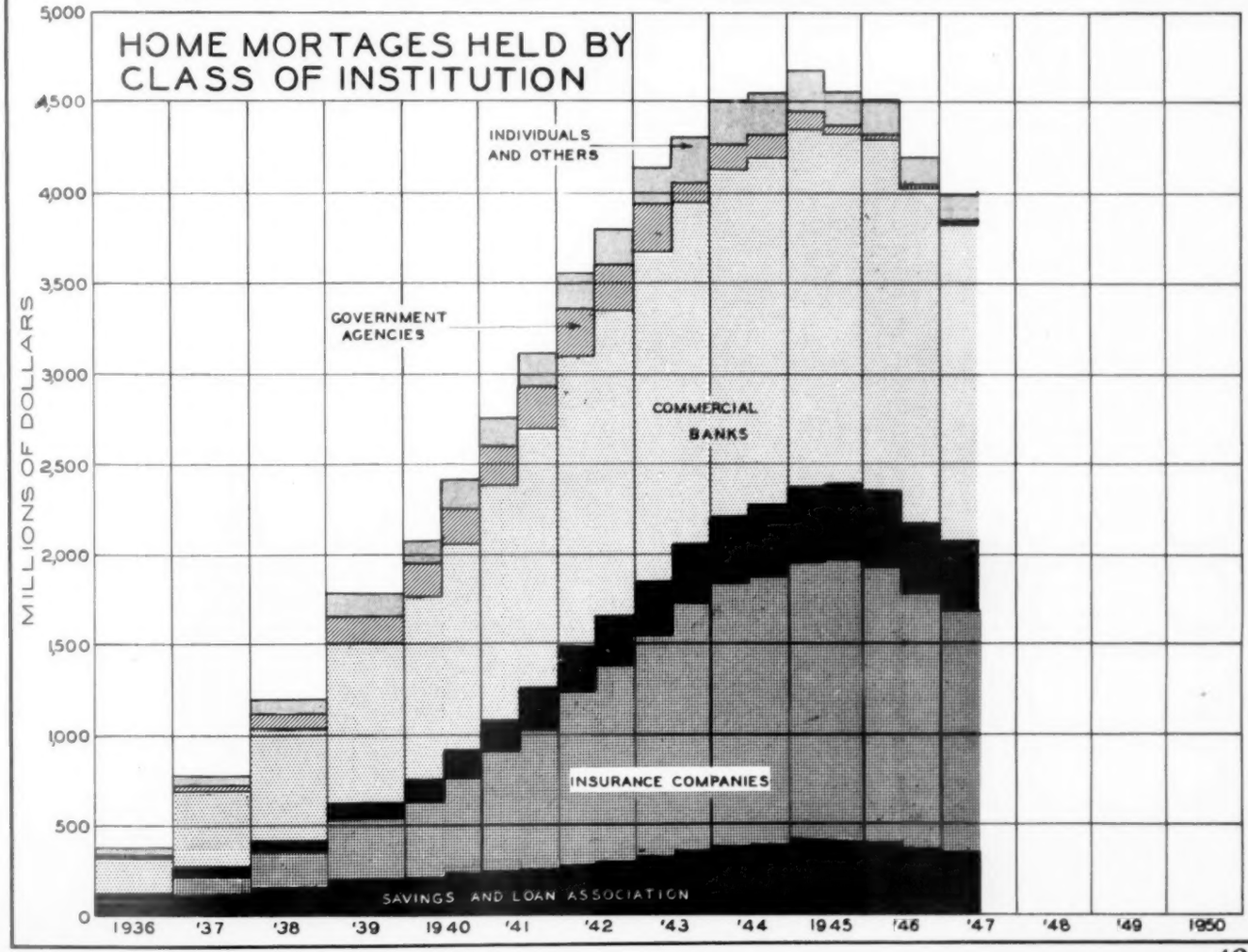
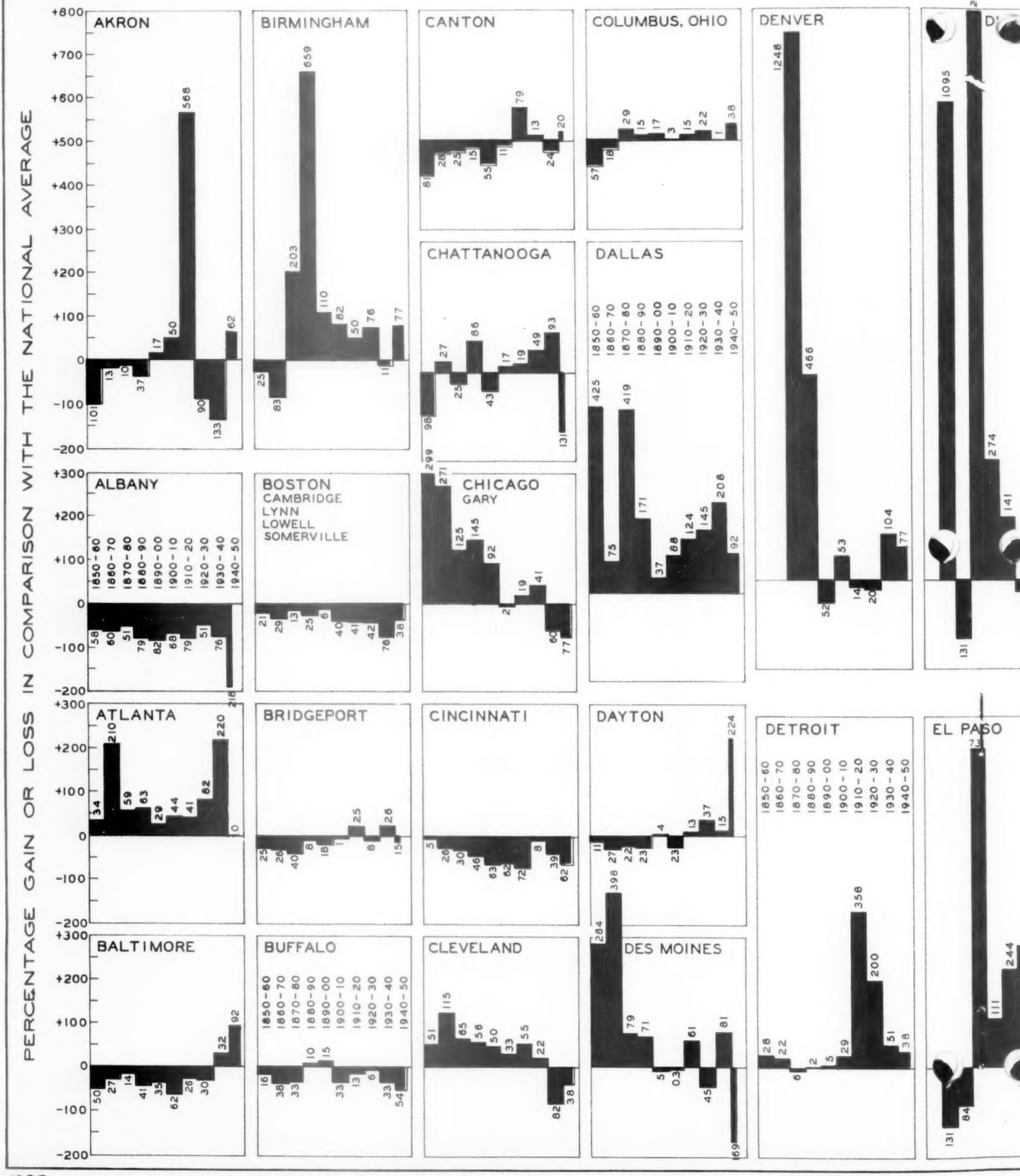




RATE OF POPULATION



ON GROWTH OF METROPOLITAN COUNTIES AS A PE

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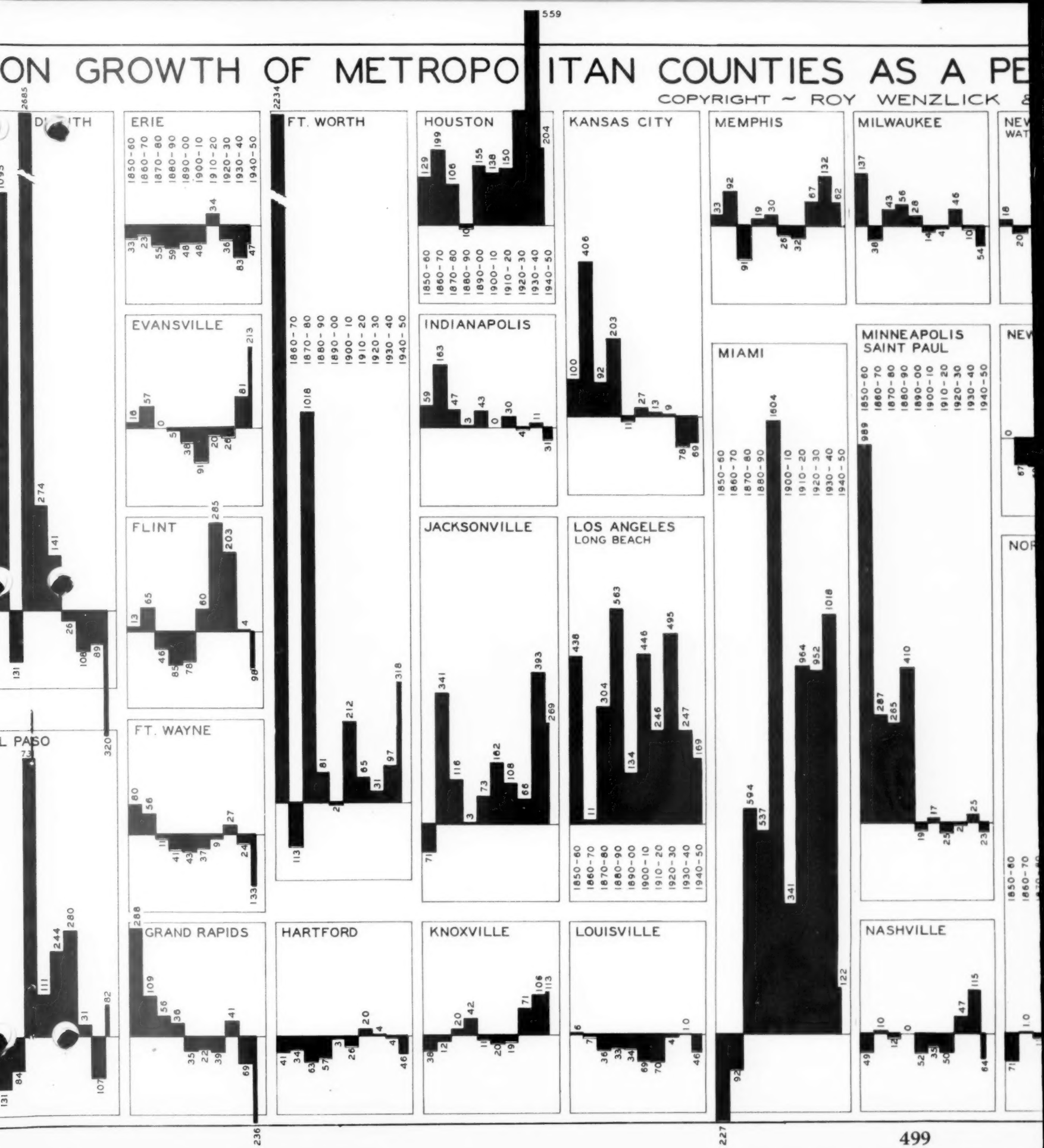

A PERCENTAGE ABOVE OR BELOW TYPICAL GR

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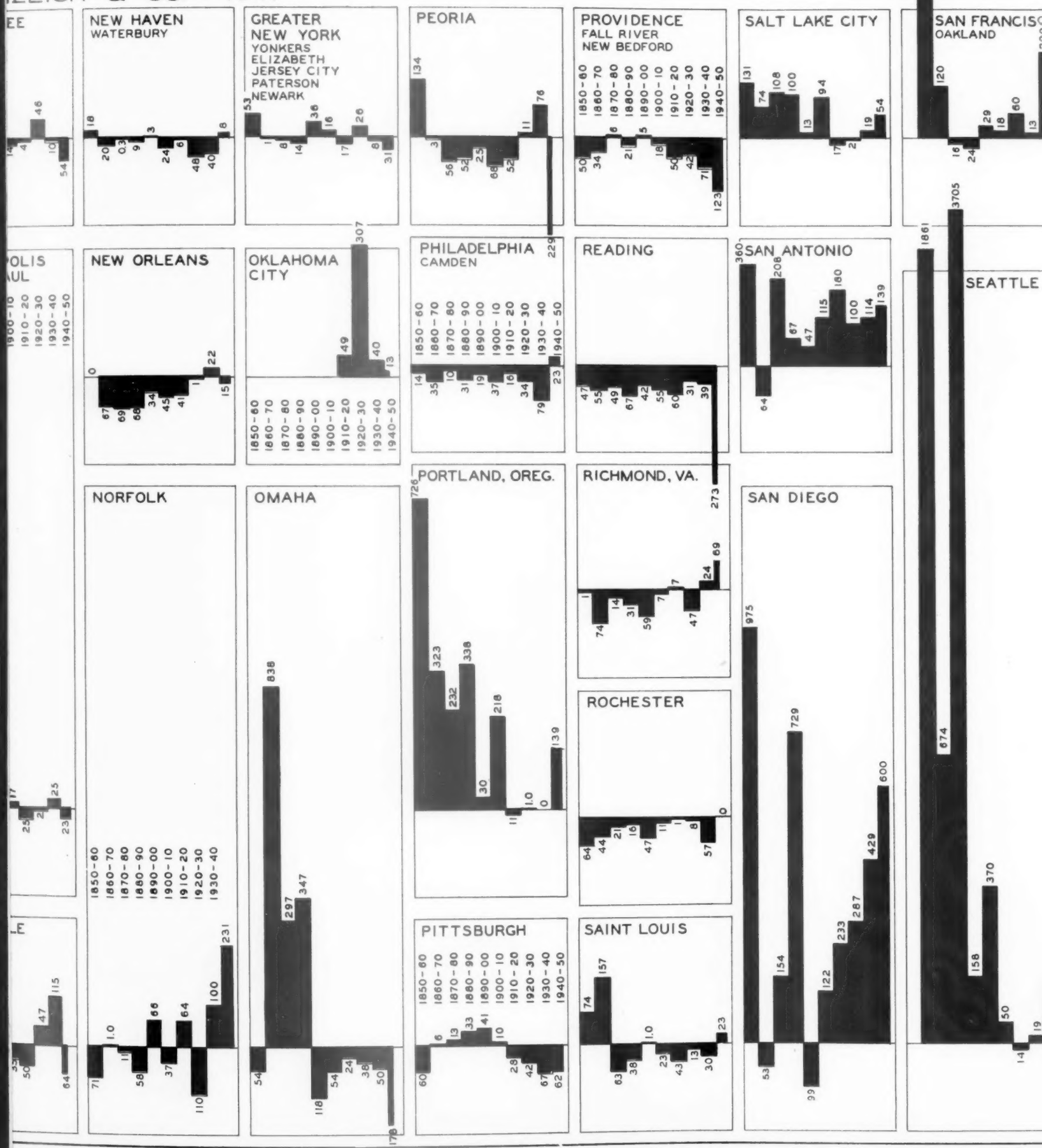
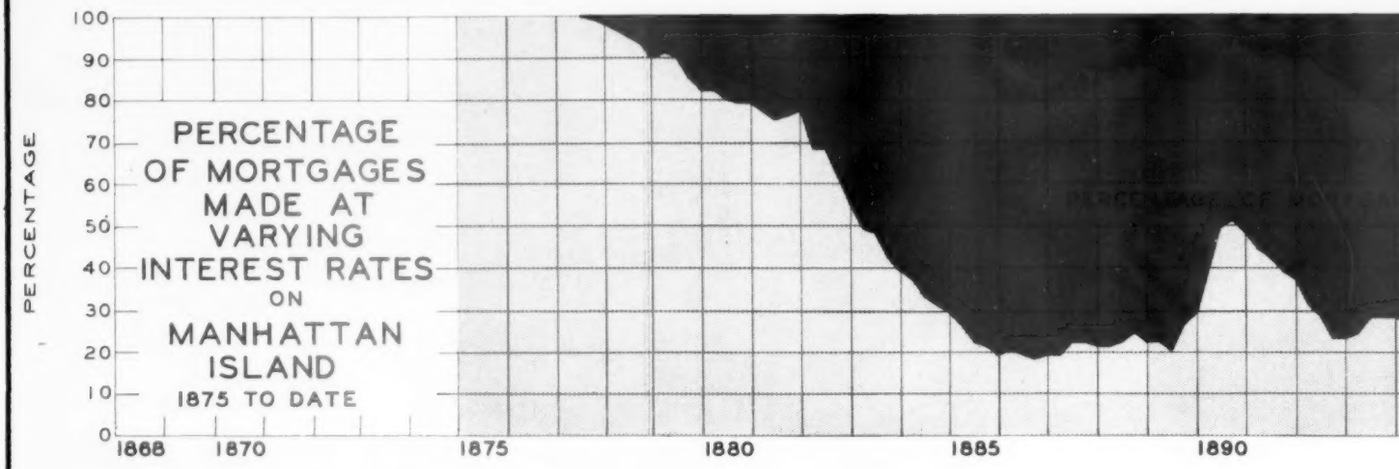
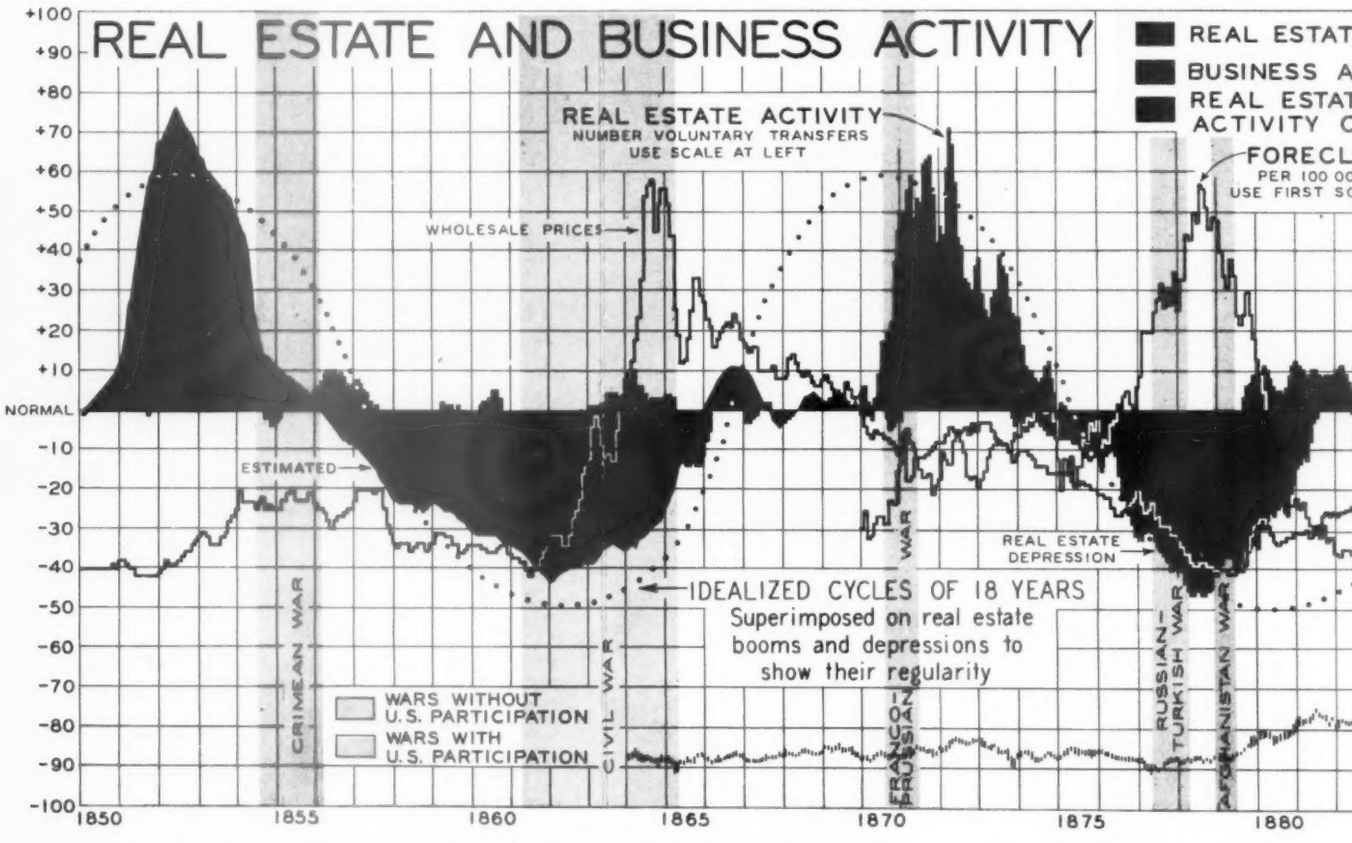


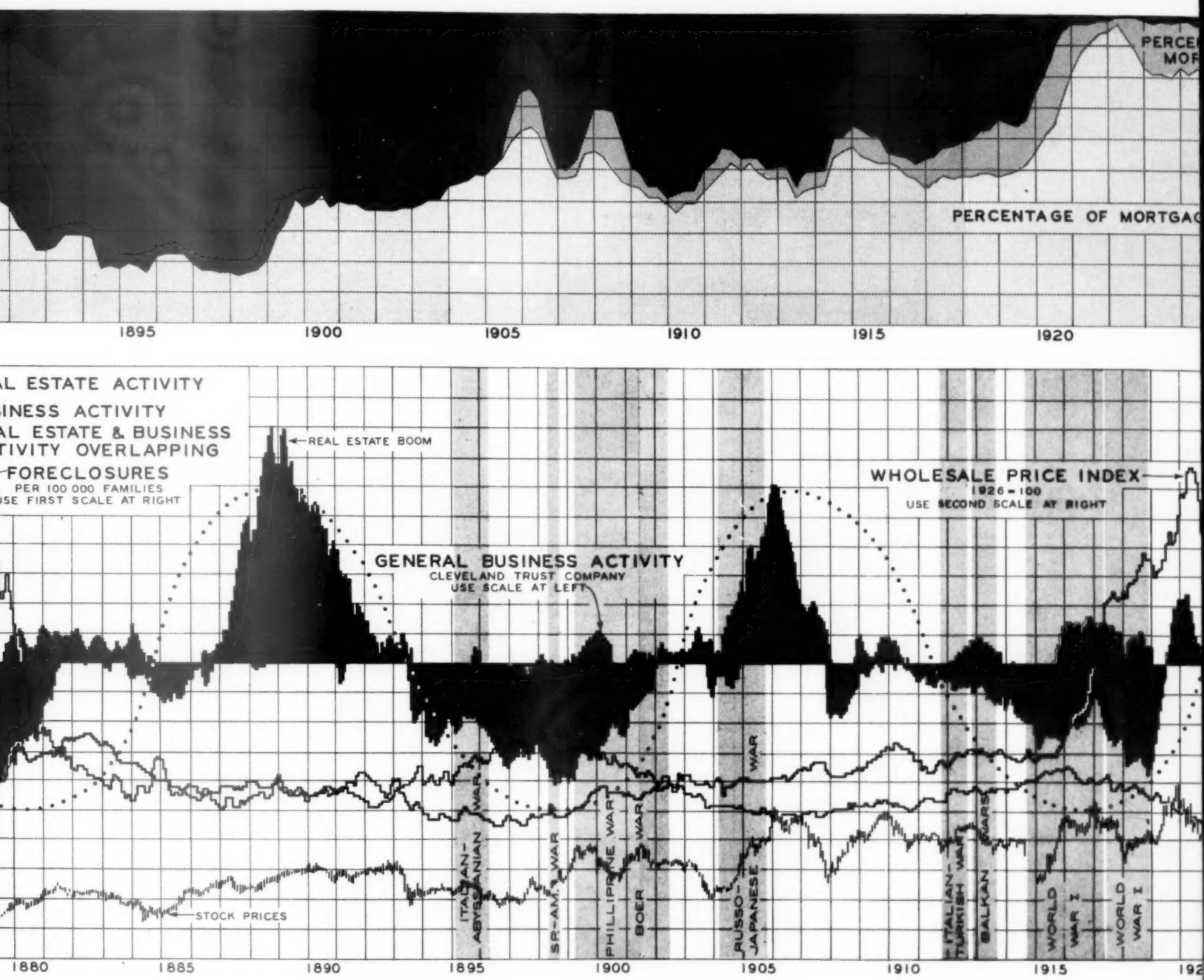
L GROWTH 1850–1947





THE colored panel at the top of these three pages shows the distribution of the Manhattan mortgage interest rates in detail over the period from 1875 to the present. The complete height of the band represents all mortgages made each month. The light pink portion of the band indicates the mortgages made at 6 per cent or better, the dark pink, those made at 5-1/2 per cent, the red, those mortgages made at 4-1/2 and 5 per cent, and the dark blue portion indicates those mortgages made at 4 per cent or less.

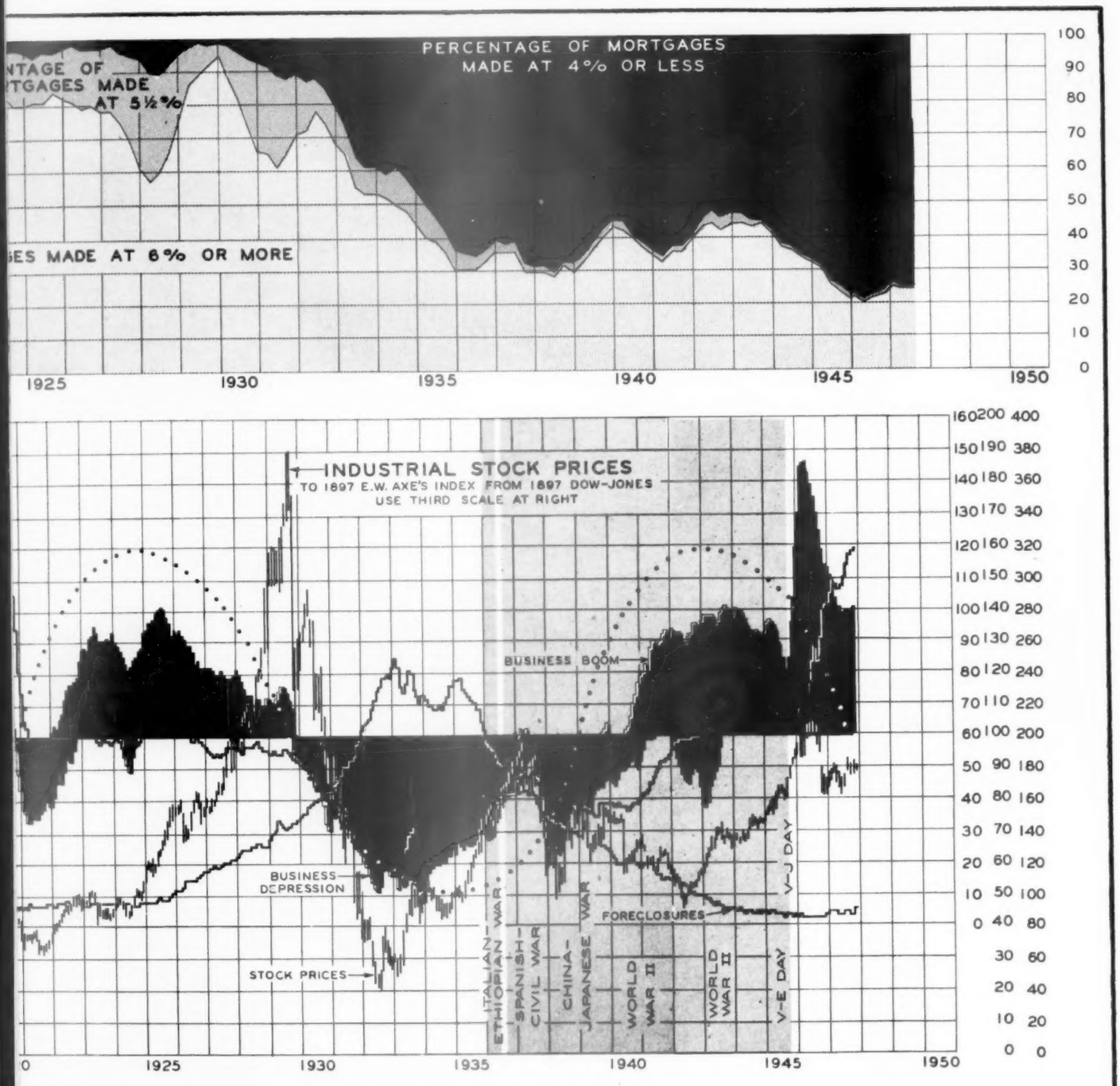
There are only two periods in the entire life of this chart when 4 per cent loans made up any appreciable amount of the total. The first was in the late 1890's and early 1900's, during the tail-end of a real estate depression, and the second period was ushered in by the real estate depression of the thirties and prolonged far beyond its time by the government's insistence on low interest rates. Due to the necessity of war financing the government held interest rates at an unusually low level, which has persisted up to the present time.



While the subject has only recently gained national prominence through the press and radio, it has been known for some time that Marriner Eccles (Chairman of the Board of Governors of the Federal Reserve System) apparently favors a general stiffening of interest rates as one way to restrict credit and curb inflation. So far he has met with rather strong opposition from the Administration.

During the real estate boom of the twenties the vast majority of mortgages were made at 6 per cent. Four per cent loans were practically unheard of. During the present boom 6 per cent loans have steadily decreased to a point where only about one-fourth of the loans are at 6 per cent, while about one-half of the loans are made at 4-1/2 and 5 per cent, and about one-fourth of the loans are made at 4 per cent.

The prolonged period of low interest rates was brought about largely by the FHA, the aforementioned pressure by the government for low interest rates, and the tremendous



pplies of mortgage money from wartime savings.

The liberal financing terms of the Veterans Administration, the FHA and the Home Loan ınk were criticized recently by Mr. Eccles in his testimony before the House Banking Com-ittee. Mr. Eccles was supported by Edward E. Brown, Chairman of the First National ınk of Chicago, in similar testimony before the Joint Congressional Economic Committee. ıe proposed $1 billion increase for Title VI insurance authority has also met with very iff opposition and considerable reduction.

While no great change is expected in the near future in mortgage interest rates, we be-:ve that the three main reasons for these low interest rates are being strongly shaken. ee "Savings and Loan Associations Are Running Out of Mortgage Money" on page 507.) ıe moot question seems to be: Will interest rates rise soon enough and high enough to be any real benefit to the mortgage lenders during the present boom?

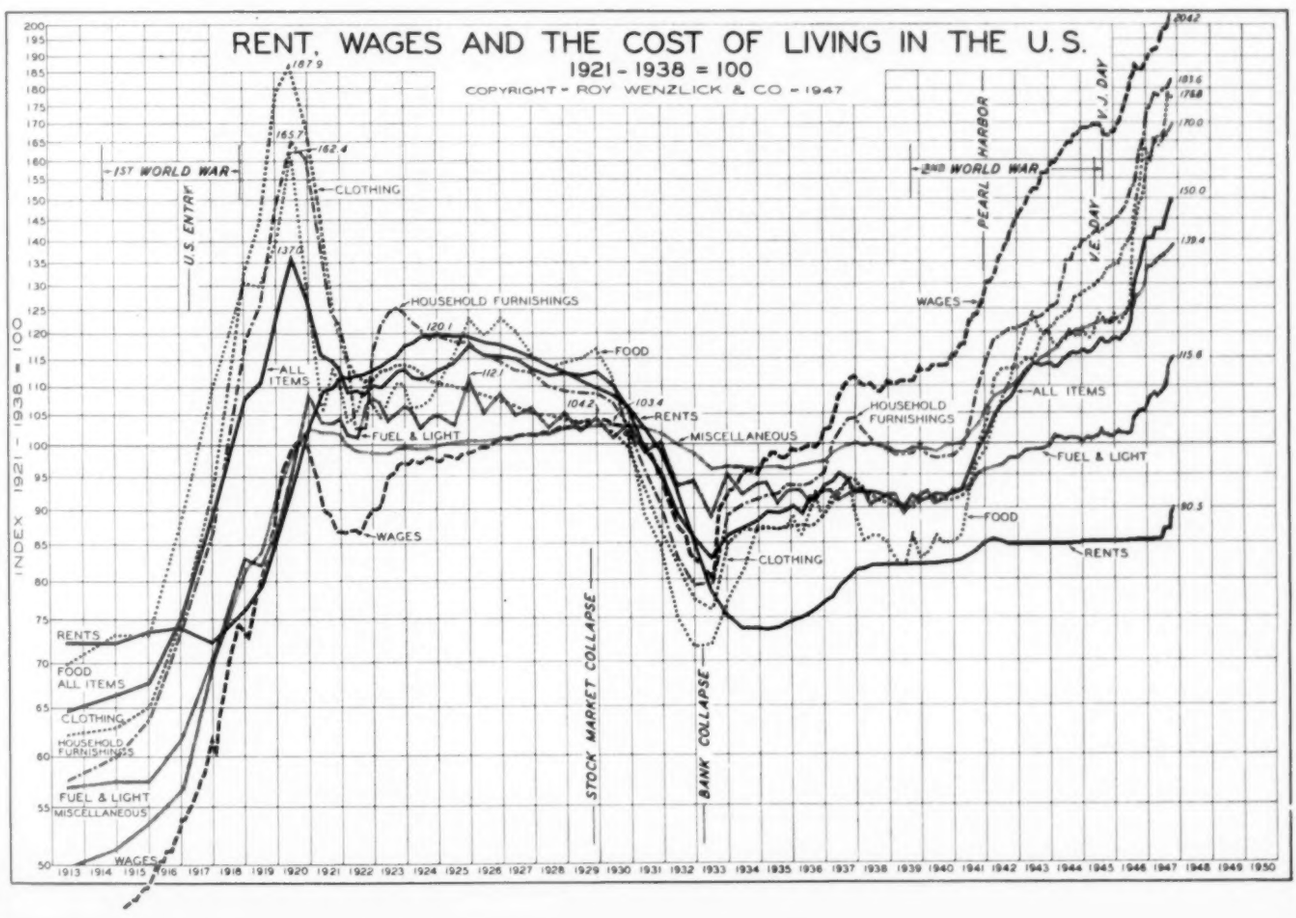
RENTS, WAGES AND THE COST OF LIVING

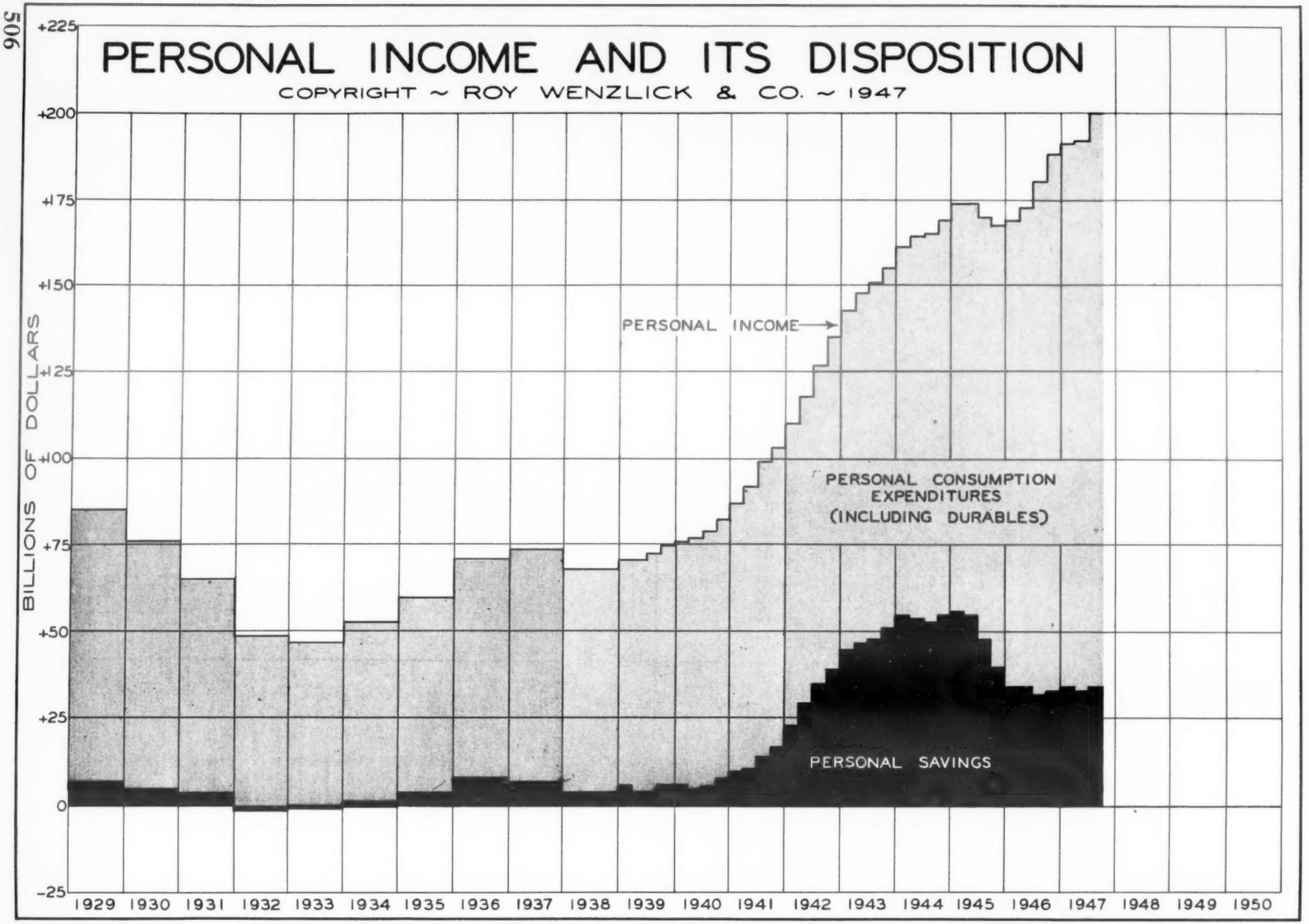
SINCE 1946 the nationwide rent index has increased approximately 5-1/2 per cent. During the same period wages have increased approximately 7 per cent and the cost of living has increased around 6-1/2 per cent.

Rent increases have varied widely in different cities. Chicago has had the greatest increase since partial decontrol, 9-1/2 per cent; Indianapolis, 8.4 per cent; Kansas City, approximately 7 per cent; Denver, Richmond, St. Louis and Minneapolis, approximately 6 per cent; Detroit, Portland, Oregon, Pittsburgh and Birmingham, 5 per cent; Boston, 4 per cent; and Jacksonville, Baltimore, Cincinnati and San Francisco, approximately 3 per cent. The following cities have had the lowest percentage increase in their rent index - approximately 1 per cent or less: New York; Buffalo; Savannah; Manchester, New Hampshire; Philadelphia; Washington; and New Orleans.

Rent control is almost certain to be extended. The chief question seems to be for how long and what complicated form it will take in order to avoid penalizing the tenants who have already signed leases and paid their 15 per cent increases, with the expectation that controls would end in March 1948.

The base period for the chart which appears below (1921-1938) was chosen in order to put all of the factors on the same long-term basis. The original figures were based on the 1935-1939 average, which is a very poor basis for studying residential rents. The longer period is eighteen years in length (the average length of a complete real estate cycle) and takes in nine bad years and nine good years.




PERSONAL INCOME AND ITS DISPOSITION
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BILLIONS OF DOLLARS
+225
+200
+175
+150
+125
+100
+75
+50
+25
0
-25
PERSONAL INCOME
PERSONAL CONSUMPTION EXPENDITURES (INCLUDING DURABLES)
PERSONAL SAVINGS
1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950

SAVINGS AND LOAN ASSOCIATIONS ARE RUNNING OUT OF MORTGAGE MONEY

SINCE 1940 the total assets of all savings and loan associations in the United States have increased from $5.7 billion, to $10 billion. It must have looked to many of these associations for a number of years as if the supply of mortgage money was practically inexhaustible. During the past year, however, many associations are finding themselves short of lendable funds as the demand for mortgages has exceeded their expectations. Many of these associations are now becoming more choosey in the type of mortgage they will accept and in the interest rate they demand. Some associations, in an attempt to increase the lendable funds, have increased their dividend rates.

A glance at the chart on the page opposite will show the reason, first, for the large increase in the assets of building and loan associations since 1940 and, second, the difficulties being experienced by a number of the associations at the present time. This chart shows personal income from 1929 to the last quarterly figure available. It also shows the distribution of this income, the amount which is spent for consumption expenditures, the amount which is paid out in taxes, and the amount which has resulted in savings. From 1940 until 1944 incomes were constantly increasing, but neither automobiles nor many other durable goods were available for purchase. Due to the shortage of goods, the amount of personal savings increased rapidly. During the last few years, however, many types of durable goods have slowly been coming back on the market, with the result that many persons are not only buying for their current needs, but are trying to fill the accrued demand which developed during the war.

At the same time, the general price increases have meant that the high cost of living has gone still higher and the cost of high living has gone to astronomical heights. Although the total personal income amount is far greater than it has been at any time in the past, the amount of savings has dropped to an almost negligible total.

It is our opinion that there is no way at the present time that savings can be increased so long as the general public believes that prices are going still higher, and it does at present. Any rate of interest, either high or low, will still be a negative rate. By that, of course, we mean that the interest payments received in a year will not compensate for the shrinkage in the purchasing power of the principal during the same period. If a dollar was loaned out a year ago at 3 per cent interest, it is worth today $1.03. The amount which $1.03 will buy, however, is only 93.5 per cent of what a dollar would have bought a year ago. On this basis the real rate of return has been a minus amount of 6.5 per cent. In other words, the lender has paid the borrower 6.5 per cent to use his money for a year. When this is the case there is a penalty on savings and each person tries to buy before prices rise.

An increase in the dividend rate of savings and loan associations may increase the amount of savings which they attract into their own association. It will not increase the total amount of savings in the United States. It will probably result in a higher interest rate, as the savings and loan associations, savings banks and other financial institutions will compete for a decreasing amount of savings.

ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS STARTED

1900 - 240,000	1907 - 440,000	1914 - 445,000	1921 - 449,000	1928 - 753,000	1935 - 221,000	1942 - 496,600
1901 - 340,000	1908 - 440,000	1915 - 475,000	1922 - 716,000	1929 - 509,000	1936 - 319,000	1943 - 350,000
1902 - 360,000	1909 - 580,000	1916 - 480,000	1923 - 871,000	1930 - 330,000	1937 - 336,000	1944 - 169,000
1903 - 400,000	1910 - 475,000	1917 - 230,000	1924 - 893,000	1931 - 254,000	1938 - 406,000	1945 - 225,000
1904 - 440,000	1911 - 480,000	1918 - 120,000	1925 - 937,000	1932 - 134,000	1939 - 515,000	1946 - 670,500
1905 - 480,000	1912 - 490,000	1919 - 330,000	1926 - 849,000	1933 - 93,000	1940 - 602,500	
1906 - 480,000	1913 - 455,000	1920 - 247,000	1927 - 810,000	1934 - 126,000	1941 - 715,200	

MONTHLY FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	30,700	42,900	42,900	53,300	45,900	44,200	51,200	42,400	42,900	45,100	41,200
1940	25,700	36,900	46,000	62,900	57,000	44,100	57,600	55,800	58,400	66,200	44,900	47,000
1941	41,200	43,700	60,200	75,200	70,700	77,200	74,600	69,800	67,000	56,200	46,600	32,800
1942	34,500	51,300	52,700	59,700	60,600	46,300	26,700	27,500	40,400	32,200	30,400	34,300
1943	45,000	40,100	33,000	26,700	33,600	21,800	24,200	27,600	24,300	28,100	26,100	19,500
1944	17,300	13,500	18,100	14,300	16,500	17,500	14,500	12,800	11,300	10,800	11,600	10,800
1945	7,600	8,400	12,300	18,300	16,900	20,300	20,100	17,100	17,900	25,400	30,500	30,200
1946	37,500	42,400	62,000	67,000	67,100	64,100	62,600	65,400	57,600	57,800	47,700	39,300
1947	40,100	44,100	58,400	68,700	72,500	77,200	80,100	85,700	92,000	93,800	82,000	

CUMULATIVE FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	63,000	105,900	148,800	202,100	248,000	292,200	343,400	385,800	428,700	473,800	515,000
1940	25,700	62,600	108,600	171,500	228,500	272,600	330,200	386,000	444,400	510,600	555,500	602,500
1941	41,200	84,900	145,100	220,300	291,000	368,200	442,800	512,600	579,600	635,800	682,400	715,200
1942	34,500	85,800	138,500	198,200	258,800	305,100	331,800	359,300	399,700	431,900	462,300	496,600
1943	45,000	85,100	118,100	144,800	178,400	200,200	224,400	252,000	276,300	304,400	330,500	350,000
1944	17,300	30,800	48,900	63,200	79,700	97,200	111,700	124,500	135,800	146,600	158,200	169,000
1945	7,600	16,000	28,300	46,600	63,500	83,800	103,900	121,000	138,900	164,300	194,800	225,000
1946	37,500	79,900	141,900	208,900	276,000	340,100	402,700	468,100	525,700	583,500	631,200	670,500
1947	40,100	84,200	142,600	211,300	283,800	361,000	441,100	526,800	618,800	712,600	794,600	

12-MONTH MOVING TOTALS

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939												515,000
1940	508,400	514,600	517,700	537,700	541,400	539,600	553,000	557,600	573,600	596,900	596,700	602,500
1941	618,000	624,800	639,000	651,300	665,000	698,100	715,100	729,100	737,700	727,700	729,400	715,200
1942	708,500	716,100	708,600	693,100	683,000	652,100	604,200	561,900	535,300	511,300	495,100	496,600
1943	507,100	495,900	476,200	443,200	416,200	391,700	389,200	389,300	373,200	369,100	364,800	350,000
1944	322,300	295,700	288,000	268,400	251,300	247,000	237,300	222,500	209,500	192,200	177,700	169,000
1945	159,300	154,200	148,400	152,400	152,800	155,600	161,200	165,500	172,100	186,700	205,600	225,000
1946	254,900	288,900	338,600	387,300	437,500	481,300	523,800	572,100	611,800	644,200	661,400	670,500
1947	673,100	674,800	671,200	672,900	678,300	691,400	708,900	729,200	763,600	799,600	833,900	

ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS COMPLETED

NEW PERMANENT UNITS

	Monthly			Cumulative		
1946	Conventional	Factory-Built	Total	Conventional	Factory-Built	Total
May	22,000	3,100	25,100	87,300	10,700	98,000
June	27,200	3,400	30,600	114,500	14,100	128,600
July	32,600	4,100	36,700	147,100	18,200	165,300
Aug.	39,500	3,900	43,400	186,600	22,100	208,700
Sept.	45,900	3,800	49,700	232,500	25,900	258,400
Oct.	50,600	4,900	55,500	283,100	30,800	313,900
Nov.	57,600	3,600	61,200	340,700	34,400	375,100
Dec.	59,900	2,800	62,700	400,600	37,200	437,800
1947						
Jan.	--	--	62,600	--	--	62,600
Feb.	--	--	60,300	--	--	122,900
Mar.	--	--	57,700	--	--	180,600
Apr.	--	--	59,500	--	--	240,100
May	--	--	59,900	--	--	300,000
June	--	--	63,000	--	--	363,000
July	--	--	65,700	--	--	428,700
Aug.	--	--	70,400	--	--	499,100
Sept.	--	--	77,200	--	--	576,300
Oct.	--	--	82,600	--	--	658,900
Nov.	--	--	86,000	--	--	744,900

TEMPORARY RE-USE, CONVERSIONS AND TRAILERS

1946	Monthly	Cumulative
May	9,600	41,300
June	11,700	53,000
July	13,300	66,300
Aug.	17,200	83,500
Sept.	31,400	114,900
Oct.	30,800	145,700
Nov.	26,600	172,300
Dec.	32,200	204,500
1947		
Jan.	34,800	34,800
Feb.	31,400	66,200
Mar.	29,600	95,800
Apr.	23,100	118,900
May	18,800	137,700
June	11,900	149,600